

BASIC FINANCIAL STATEMENTS

FOND DU LAC COUNTY, WISCONSIN
Statement of Net Assets
December 31, 2008

| | Primary Government | | | Component Unit June 30, 2008 |
|---|-------------------------|--------------------------|--------------------|---------------------------------|
| | Governmental Activities | Business-type Activities | Total | Housing Authority |
| ASSETS | | | | |
| Cash and investments | \$ 14,144,419 | \$ 9,605,269 | \$ 23,749,688 | \$ 759,327 |
| Receivables | | | | |
| Delinquent property taxes | 1,827,079 | - | 1,827,079 | - |
| Property taxes levied for ensuing year's budget | 32,945,942 | 1,464,348 | 34,410,290 | - |
| Accounts | 3,218,356 | 3,319,675 | 6,538,031 | 30,775 |
| Accrued interest | 97,344 | - | 97,344 | 47 |
| Internal balances | 1,460,485 | (1,460,485) | - | - |
| Due from other governments | 2,456,205 | 1,451,958 | 3,908,163 | - |
| Inventories and prepaid items | 513,184 | 1,507,204 | 2,020,388 | 15,868 |
| Deferred charges - issuance costs | 51,657 | - | 51,657 | - |
| Capital assets, net of accumulated depreciation | | | | |
| Land | 2,662,868 | 980,404 | 3,643,272 | 17,387 |
| Land improvements | 5,520,267 | 14,410,401 | 19,930,668 | - |
| Buildings/building improvements | 53,128,628 | 12,169,179 | 65,297,807 | 2,362,735 |
| Machinery and equipment | 15,537,814 | 13,746,812 | 29,284,626 | 97,817 |
| Infrastructure | 57,342,791 | - | 57,342,791 | - |
| Less: Accumulated depreciation | (60,297,910) | (24,392,588) | (84,690,498) | (1,311,615) |
| TOTAL ASSETS | 130,609,129 | 32,802,177 | 163,411,306 | 1,972,341 |

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FOND DU LAC COUNTY, WISCONSIN
Statement of Net Assets (continued)
December 31, 2008

| | Primary Government | | | Component Unit June 30, 2008 |
|---|-------------------------|--------------------------|----------------------|---------------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| LIABILITIES | | | | |
| Accounts payable | 2,513,965 | 2,789,566 | 5,303,531 | 5,272 |
| Accrued payables | - | 430,852 | 430,852 | - |
| Accrued payroll liabilities | 3,259,245 | 1,190,849 | 4,450,094 | 5,151 |
| Accrued interest payable | 403,006 | - | 403,006 | - |
| Due to other governments | 1,096,115 | 21,927 | 1,118,042 | 283,916 |
| Deferred property tax revenues | 33,322,654 | 1,464,348 | 34,787,002 | - |
| Unearned revenues | 192,382 | 197,262 | 389,644 | 112 |
| Other liabilities | 105,283 | - | 105,283 | 11,367 |
| Long-term obligations | | | | |
| Due within one year | 4,041,316 | 189,497 | 4,230,813 | - |
| Due in more than one year | 30,832,771 | 439,350 | 31,272,121 | - |
| TOTAL LIABILITIES | 75,766,737 | 6,723,651 | 82,490,388 | 305,818 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 41,320,319 | 16,862,258 | 58,182,577 | 1,166,324 |
| Restricted - CDBG loans | 1,661,376 | - | 1,661,376 | - |
| Restricted - Care Management Organization | - | 8,640,903 | 8,640,903 | - |
| Restricted - sheriff canine fund | 50,000 | - | 50,000 | - |
| Restricted - retirement of long term debt | 12,247 | - | 12,247 | - |
| Unrestricted | 11,798,450 | 575,365 | 12,373,815 | 500,199 |
| TOTAL NET ASSETS | \$ 54,842,392 | \$ 26,078,526 | \$ 80,920,918 | \$ 1,666,523 |

The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY, WISCONSIN
Statement of Activities
Year Ended December 31, 2008

| Functions/Programs | Primary Government | | | | | | Component Unit June 30, 2008 |
|--------------------------------------|--------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|---------------------------------|
| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | |
| PRIMARY GOVERNMENT | | | | | | | |
| Governmental Activities | | | | | | | |
| General government | \$ 8,717,853 | \$ 3,198,066 | \$ 1,021,305 | \$ - | \$ (4,498,482) | \$ - | \$ (4,498,482) |
| Public safety | 17,198,593 | 3,075,687 | 229,551 | - | (13,893,355) | - | (13,893,355) |
| Public works | 5,240,647 | 225,000 | 1,960,263 | - | (3,055,384) | - | (3,055,384) |
| Health and human services | 32,173,201 | 7,844,099 | 14,406,526 | - | (9,922,576) | - | (9,922,576) |
| Culture, recreation and education | 3,274,465 | 305,063 | 185,011 | - | (2,784,391) | - | (2,784,391) |
| Conservation and development | 4,071,061 | 461,054 | 783,784 | - | (2,826,223) | - | (2,826,223) |
| Interest on debt | 1,271,927 | - | - | - | (1,271,927) | - | (1,271,927) |
| Total Governmental Activities | 71,947,747 | 15,108,969 | 18,586,440 | - | (38,252,338) | - | (38,252,338) |
| Business-type Activities | | | | | | | |
| Highway | 11,184,748 | 10,829,533 | 120,711 | - | - | (234,504) | (234,504) |
| Care Management Organization | 31,549,740 | 31,030,950 | 88,035 | - | - | (430,755) | (430,755) |
| Health Care Center | 8,082,581 | 5,644,589 | 1,125,161 | - | - | (1,312,831) | (1,312,831) |
| Rolling Meadows Nursing/Rehab Center | 1,866,537 | 1,324,758 | 391,958 | - | - | (149,821) | (149,821) |
| Airport | 672,146 | 79,429 | - | 61,178 | - | (531,539) | (531,539) |
| Golf Course | 817,527 | 657,903 | 2,223 | - | - | (157,401) | (157,401) |
| Landfill | 51,479 | 8,850 | - | - | - | (42,629) | (42,629) |
| Total Business-type Activities | 54,224,758 | 49,576,012 | 1,728,088 | 61,178 | - | (2,859,480) | (2,859,480) |
| Total Primary Government | \$ 126,172,505 | \$ 64,684,981 | \$ 20,314,528 | \$ 61,178 | (38,252,338) | (2,859,480) | (41,111,818) |
| COMPONENT UNIT | | | | | | | |
| Housing Authority | \$ 1,968,267 | \$ 119,030 | \$ 1,937,347 | \$ 97,441 | - | - | 185,551 |

(Continued)

FOND DU LAC COUNTY, WISCONSIN

Statement of Activities (continued)

Year Ended December 31, 2008

| Functions/Programs | Primary Government | | | | | Component Unit June 30, 2008 |
|---|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------------------|
| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | |
| Expenses | | | | | | |
| General revenues | | | | | | |
| Property taxes, levied for general purposes | | | | 26,438,498 | 2,161,580 | 28,600,078 |
| Property taxes, levied for debt service | | | | 4,276,235 | - | 4,276,235 |
| Other taxes | | | | 856,552 | 158 | 856,710 |
| State and federal aids not restricted to specific functions | | | | 2,896,194 | - | 2,896,194 |
| Interest and investment earnings | | | | 899,873 | 267,226 | 1,167,099 |
| Gain (loss) on sale of capital assets | | | | 230,141 | - | 230,141 |
| Miscellaneous | | | | 593,381 | 577,670 | 1,171,051 |
| Transfers | | | | 169,760 | (169,760) | - |
| Total general revenues and net transfers | | | | 36,360,634 | 2,836,874 | 39,197,508 |
| Change in net assets | | | | (1,891,704) | (22,606) | (1,914,310) |
| Net assets - beginning of year | | | | 56,734,096 | 26,101,132 | 82,835,228 |
| Net assets - end of year | | | | \$ 54,842,392 | \$ 26,078,526 | \$ 80,920,918 |
| | | | | | | \$ 1,666,523 |

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The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2008

| | General | County Road & Bridge | Dept of Community Programs | Dept of Social Services | Capital Projects Interoper- ability | Debt Service | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------|----------------------|----------------------------|----------------------------------|-------------------------------|--|---------------------|--|--------------------------------|
| ASSETS | | | | | | | | |
| Cash and investments | \$ 10,336,696 | \$ 1,351,739 | \$ 380,754 | \$ 1,242,601 | \$ 706,278 | \$ 12,247 | \$ 90,796 | \$ 14,121,111 |
| Receivables | | | | | | | | |
| Taxes | 17,081,632 | 3,007,535 | 3,911,323 | 6,345,900 | - | 4,743,115 | - | 35,089,505 |
| CDBG loans | 1,611,376 | - | - | - | - | - | - | 1,611,376 |
| Accounts | 850,488 | - | 203,849 | 20,546 | - | - | 3,095 | 1,077,978 |
| Interest | 95,258 | - | - | - | - | - | 2,086 | 97,344 |
| Due from other funds | 1,406,419 | - | - | 4,065 | - | - | - | 1,410,484 |
| Due from other governments | 1,348,450 | - | 363,076 | 744,679 | - | - | - | 2,456,205 |
| Inventories and prepaid items | 328,320 | - | 59,177 | 107,310 | - | - | 1,753 | 496,560 |
| TOTAL ASSETS | \$ 33,058,639 | \$ 4,359,274 | \$ 4,918,179 | \$ 8,465,101 | \$ 706,278 | \$ 4,755,362 | \$ 97,730 | \$ 56,360,563 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 1,593,431 | \$ - | \$ 358,479 | \$ 427,519 | \$ 132,098 | \$ - | \$ 536 | \$ 2,512,063 |
| Accrued payroll liabilities | 2,007,790 | - | 473,626 | 721,810 | - | - | 11,859 | 3,215,085 |
| Due to other governments | 319,137 | - | 15,464 | 758,951 | - | - | - | 1,093,552 |
| Deferred revenues | 17,407,571 | 3,007,535 | 3,914,510 | 6,452,255 | - | 4,743,115 | - | 35,524,986 |
| Other liabilities | 100,717 | - | - | 4,566 | - | - | - | 105,283 |
| Total Liabilities | 21,428,646 | 3,007,535 | 4,762,079 | 8,365,101 | 132,098 | 4,743,115 | 12,395 | 42,450,969 |

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FOND DU LAC COUNTY, WISCONSIN
Balance Sheet (continued)
Governmental Funds
December 31, 2008

| | General | County Road & Bridge | Dept of Community Programs | Dept of Social Services | Capital Projects Interoper- ability | Debt Service | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------|----------------------------|----------------------------------|-------------------------------|--|-----------------|--|--------------------------------|
| Fund Balances | | | | | | | | |
| Reserved for | | | | | | | | |
| Inventories and prepaid items | 328,320 | - | 59,177 | 107,310 | - | - | 1,753 | 496,560 |
| Delinquent property taxes | 1,149,944 | - | - | - | - | - | - | 1,149,944 |
| Retirement of long-term debt | - | - | - | - | - | 12,247 | - | 12,247 |
| Sheriff canine fund | - | - | - | - | - | - | 50,000 | 50,000 |
| Unreserved | | | | | | | | |
| Designated | 5,701,643 | 1,351,739 | 96,923 | - | 574,180 | - | 33,582 | 7,758,067 |
| Undesignated (Deficit) | 4,450,086 | - | - | (7,310) | - | - | - | 4,442,776 |
| Total Fund Balances | 11,629,993 | 1,351,739 | 156,100 | 100,000 | 574,180 | 12,247 | 85,335 | 13,909,594 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 33,058,639 | \$ 4,359,274 | \$ 4,918,179 | \$ 8,465,101 | \$ 706,278 | \$ 4,755,362 | \$ 97,730 | \$ 56,360,563 |

(Continued)

FOND DU LAC COUNTY, WISCONSIN
Balance Sheet (continued)
Governmental Funds
December 31, 2008

Reconciliation to the Statement of Net Assets:

Total Fund Balances as shown on previous page

\$ 13,909,594

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

General capital assets, net of accumulated depreciation

\$ 73,849,177

Internal Service Fund capital assets, net of accumulated depreciation

45,281 73,894,458

Other long-term assets, deferred debt issuance costs, are not available to pay for current period expenditures and therefore are not reported in the funds.

51,657

Internal service funds are used by management to charge the costs of central maintenance and self insured health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Total internal service fund net assets

66,312

Capital assets, net of depreciation, included above

(45,281)

Long term liabilities included below

22,839 43,870

Some liabilities are not due and payable in the current period and therefore are not reported in the funds:

Bonds and notes payable

(32,685,000)

Alliant Energy Advance

(463,319)

Compensated absences

(1,271,211)

Other post employment benefits

(454,556)

Accrued interest on long-term obligations

(403,006) (35,277,092)

Revenues not meeting the availability criteria:

Deferred Revenue - Community Development Block Grant - Fond du Lac County Economic Development Corp.

1,611,376

Deferred Revenue - Clerk of Courts

182,876

Deferred Revenue - Interest and Penalty on Property Taxes

425,653 2,219,905

Net Assets of Governmental Activities as reported on the Statement of Net Assets (See pages 15 - 16)

\$ 54,842,392

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FOND DU LAC COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2008

| | General | County Road & Bridge | Dept of Community Programs | Dept of Social Services | Capital Projects Interoper- ability | Debt Service | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|----------------------------|----------------------------------|-------------------------------|--|-------------------|--|--------------------------------|
| Revenues | | | | | | | | |
| Taxes | \$ 13,575,463 | \$ 2,921,880 | \$ 4,107,213 | \$ 5,780,347 | \$ 380,000 | \$ 4,276,235 | \$ - | \$ 31,041,138 |
| Intergovernmental | 7,184,061 | 1,960,263 | 3,346,575 | 7,952,417 | - | - | 345,792 | 20,789,108 |
| Licenses and permits | 384,898 | - | - | - | - | - | - | 384,898 |
| Fines and forfeits | 664,210 | - | - | - | - | - | - | 664,210 |
| Public charges for services | 3,381,880 | 225,000 | 2,209,173 | 1,330,811 | - | - | 129,701 | 7,276,565 |
| Intergovernmental charges for services | 3,632,283 | - | 2,189,934 | - | - | - | 13,307 | 5,835,524 |
| Interdepartmental charges for services | 3,161,898 | - | 294,453 | 170,481 | - | - | - | 3,626,832 |
| Miscellaneous | 2,802,676 | - | 1,268 | 254,471 | 24 | - | 2,676 | 3,061,115 |
| Investment earnings | 838,192 | 2,002 | - | - | 55,720 | - | - | 895,914 |
| Prior year revenue | - | - | 384,436 | - | - | - | - | 384,436 |
| Total Revenues | 35,625,561 | 5,109,145 | 12,533,052 | 15,488,527 | 435,744 | 4,276,235 | 491,476 | 73,959,740 |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| General government | 10,358,827 | - | - | - | - | - | - | 10,358,827 |
| Public safety | 15,149,188 | - | - | - | 10,533 | - | - | 15,159,721 |
| Public works | - | 4,734,760 | - | - | - | - | - | 4,734,760 |
| Health and human services | 6,272,819 | - | 10,695,083 | 15,125,178 | - | - | 528,081 | 32,621,161 |
| Culture, recreation and education | 2,803,402 | - | - | - | - | - | - | 2,803,402 |
| Conservation and development | 4,126,430 | - | - | - | - | - | - | 4,126,430 |
| Capital outlay | 1,566,606 | - | - | - | 2,429,081 | - | - | 3,995,687 |
| Debt service | - | - | - | - | - | - | - | - |
| Principal | - | - | - | - | - | 9,752,809 | - | 9,752,809 |
| Interest and fiscal charges | - | - | - | - | - | 1,289,754 | - | 1,289,754 |
| Total Expenditures | 40,277,272 | 4,734,760 | 10,695,083 | 15,125,178 | 2,439,614 | 11,042,563 | 528,081 | 84,842,551 |

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FOND DU LAC COUNTY, WISCONSIN

Statement of Revenues, Expenditures and Changes in Fund Balances (continued)

Governmental Funds

Year Ended December 31, 2008

| | General | County Road & Bridge | Dept of Community Programs | Dept of Social Services | Capital Projects Interoper- ability | Debt Service | Total Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------|----------------------------|----------------------------------|-------------------------------|--|-----------------|--|--------------------------------|
| Excess (Deficit) of Revenues Over Expenditures | (4,651,711) | 374,385 | 1,837,969 | 363,349 | (2,003,870) | (6,766,328) | (36,605) | (10,882,811) |
| Other Financing Sources (Uses) | | | | | | | | |
| Long-term debt issued | 2,200,000 | 900,000 | - | - | 820,000 | 6,660,000 | - | 10,580,000 |
| Issuance premium on long term debt | - | - | - | - | - | 165,112 | - | 165,112 |
| Debt issuance costs | - | - | - | - | - | (85,715) | - | (85,715) |
| Transfers in | 2,561,058 | - | - | - | - | 75,000 | - | 2,636,058 |
| Transfers out | (235,134) | - | (1,798,369) | (312,349) | - | (54,298) | - | (2,400,150) |
| Total Other Financing Sources (Uses) | 4,525,924 | 900,000 | (1,798,369) | (312,349) | 820,000 | 6,760,099 | - | 10,895,305 |
| Net Change in Fund Balances | (125,787) | 1,274,385 | 39,600 | 51,000 | (1,183,870) | (6,229) | (36,605) | 12,494 |
| Fund Balances - Beginning of Year | 11,755,780 | 77,354 | 116,500 | 49,000 | 1,758,050 | 18,476 | 121,940 | 13,897,100 |
| Fund Balances - End of Year | \$ 11,629,993 | \$ 1,351,739 | \$ 156,100 | \$ 100,000 | \$ 574,180 | \$ 12,247 | \$ 85,335 | \$ 13,909,594 |

(Continued)

FOND DU LAC COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
Governmental Funds
Year Ended December 31, 2008

Reconciliation to the Statement of Activities:

| | |
|--|-----------|
| Net Change in Fund Balances from previous page | \$ 12,494 |
|--|-----------|

Amounts reported for governmental activities in the statement of activities are different because:
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense.

| | |
|----------------------|--------------------|
| Capital outlay | \$ 6,582,824 |
| Depreciation expense | <u>(5,314,075)</u> |
| | 1,268,749 |

The net effect of the loss on disposal of capital assets is to decrease net assets.

(222,306)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(1,542,705)

The net expenditure of the central maintenance internal service fund is reported with governmental activities.

(7,107)

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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt issued or incurred:

 Issuance of general obligation promissory notes

(10,580,000)

Principal repayments:

 General obligation debt

9,535,000

 Alliant Energy advance

217,809 (827,191)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Expense transactions:

 Compensated absences

(95,346)

 Other post employment benefits

(449,198)

 Accrued interest

1,255

 Amortization of issuance costs

(30,349) (573,638)

Change in Net Assets of Governmental Activities as reported on the Statement of Activities (see pages 17 - 18)

\$ (1,891,704)

The notes to the basic financial statements are an integral part of this statement.

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FOND DU LAC COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended December 31, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|---------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 14,010,035 | \$ 13,774,402 | \$ 13,575,463 | \$ (198,939) |
| Intergovernmental | 7,209,822 | 7,537,594 | 7,184,061 | (353,533) |
| Licenses and permits | 350,575 | 350,575 | 384,898 | 34,323 |
| Fines and forfeits | 677,669 | 677,669 | 664,210 | (13,459) |
| Public charges for services | 3,085,130 | 3,085,130 | 3,381,880 | 296,750 |
| Intergovernmental charges for services | 3,415,003 | 3,416,299 | 3,632,283 | 215,984 |
| Interdepartmental charges for services | 3,004,565 | 2,995,245 | 3,161,898 | 166,653 |
| Miscellaneous | 2,232,935 | 2,222,645 | 3,640,868 | 1,418,223 |
| Total Revenues | 33,985,734 | 34,059,559 | 35,625,561 | 1,566,002 |
| Expenditures | | | | |
| Current | | | | |
| General government | 10,090,523 | 10,701,617 | 10,358,827 | 342,790 |
| Public safety | 14,938,841 | 15,284,475 | 15,149,188 | 135,287 |
| Health and human services | 6,430,670 | 6,687,367 | 6,272,819 | 414,548 |
| Culture, recreation and education | 3,278,882 | 3,432,671 | 2,803,402 | 629,269 |
| Conservation and development | 2,474,546 | 2,854,258 | 4,126,430 | (1,272,172) |
| Capital outlay | 270,000 | 2,034,663 | 1,566,606 | 468,057 |
| Contingency | 432,411 | 78,179 | - | 78,179 |
| Total Expenditures | 37,915,873 | 41,073,230 | 40,277,272 | 795,958 |
| Excess (Deficit) of Revenues Over Expenditures | (3,930,139) | (7,013,671) | (4,651,711) | 2,361,960 |
| Other Financing Sources (Uses) | | | | |
| Long-term debt issued | 800,000 | 2,300,000 | 2,200,000 | (100,000) |
| Transfers in | 160,000 | 160,000 | 2,561,058 | 2,401,058 |
| Transfers out | (301,174) | (301,174) | (235,134) | 66,040 |
| Total Other Financing Sources (Uses) | 658,826 | 2,158,826 | 4,525,924 | 2,367,098 |
| Net Change in Fund Balance | (3,271,313) | (4,854,845) | (125,787) | 4,729,058 |
| Fund Balance - Beginning of Year | 11,755,780 | 11,755,780 | 11,755,780 | - |
| Fund Balance - End of Year | \$ 8,484,467 | \$ 6,900,935 | \$ 11,629,993 | \$ 4,729,058 |

The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
County Road & Bridge Fund
Year Ended December 31, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 2,850,270 | \$ 2,921,880 | \$ 2,921,880 | \$ - |
| Intergovernmental | | | | |
| CHIPS funding | 130,000 | 130,000 | 329,263 | 199,263 |
| Local transportation aids | 1,630,000 | 1,630,000 | 1,631,000 | 1,000 |
| Public charges for services | | | | |
| Damage reimbursement | - | - | 225,000 | 225,000 |
| Investment earnings | - | - | 2,002 | 2,002 |
| Total Revenues | 4,610,270 | 4,681,880 | 5,109,145 | 427,265 |
| Expenditures | | | | |
| Current | | | | |
| Public works | | | | |
| County highway maintenance | 4,086,440 | 4,158,050 | 2,900,061 | 1,257,989 |
| County highway winter maintenance | 1,054,900 | 1,132,254 | 1,834,699 | (702,445) |
| County construction/road & bridge | 289,900 | 289,900 | - | 289,900 |
| Total Expenditures | 5,431,240 | 5,580,204 | 4,734,760 | 845,444 |
| Excess (Deficit) of Revenues Over Expenditures | (820,970) | (898,324) | 374,385 | 1,272,709 |
| Other Financing Sources (Uses) | | | | |
| Long-term debt issued | 900,000 | 900,000 | 900,000 | - |
| Transfers out | (73,420) | (73,420) | - | 73,420 |
| Total Other Financing Sources (Uses) | 826,580 | 826,580 | 900,000 | 73,420 |
| Net Change in Fund Balance | 5,610 | (71,744) | 1,274,385 | 1,346,129 |
| Fund Balance - Beginning of Year | (5,610) | 71,744 | 77,354 | 5,610 |
| Fund Balance - End of Year | \$ - | \$ - | \$ 1,351,739 | \$ 1,351,739 |

The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Department of Community Programs
Year Ended December 31, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 4,061,323 | \$ 4,107,213 | \$ 4,107,213 | \$ - |
| Intergovernmental | | | | |
| Basic allocation | 1,657,826 | 1,657,826 | 1,657,826 | - |
| CLTS | 1,168,398 | 1,168,398 | 957,013 | (211,385) |
| Birth to Three | 235,630 | 235,630 | 233,052 | (2,578) |
| Family support | 98,901 | 98,901 | 74,868 | (24,033) |
| Alcohol and other drug abuse | 291,287 | 291,287 | 289,229 | (2,058) |
| Integrated service | 80,000 | 80,000 | 80,000 | - |
| Non-resident | - | - | 17,280 | 17,280 |
| Mental health | 37,307 | 37,307 | 37,307 | - |
| Public charges for services | | | | |
| Mental health | 1,300,000 | 1,225,000 | 1,729,885 | 504,885 |
| Developmental disabilities | 46,000 | 46,000 | 37,459 | (8,541) |
| Alcohol and other drug abuse | 268,000 | 268,000 | 317,088 | 49,088 |
| Administration | 110,000 | 110,000 | 124,741 | 14,741 |
| Intergovernmental charges for services | | | | |
| Acute unit - net | 1,816,000 | 1,816,000 | 2,189,934 | 373,934 |
| Interdepartmental charges for services | 516,457 | 516,457 | 294,453 | (222,004) |
| Miscellaneous | - | - | 1,268 | 1,268 |
| Prior year revenue | 300,000 | 300,000 | 384,436 | 84,436 |
| Total Revenues | 11,987,129 | 11,958,019 | 12,533,052 | 575,033 |
| Expenditures | | | | |
| Current | | | | |
| Health and human services | | | | |
| Mental health | 8,401,050 | 8,508,460 | 7,509,054 | 999,406 |
| Developmental disabilities | 1,737,475 | 1,751,765 | 1,545,366 | 206,399 |
| Physical disabilities | 47,825 | 47,825 | 43,189 | 4,636 |
| Alcohol and other drug abuse | 1,231,533 | 1,242,083 | 1,006,165 | 235,918 |
| Administration | 569,246 | 524,386 | 591,309 | (66,923) |
| Total Expenditures | 11,987,129 | 12,074,519 | 10,695,083 | 1,379,436 |
| Excess (Deficit) of Revenues Over Expenditures | - | (116,500) | 1,837,969 | 1,954,469 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (1,798,369) | (1,798,369) |
| Net Change in Fund Balance | - | (116,500) | 39,600 | 156,100 |
| Fund Balance - Beginning of Year | - | 116,500 | 116,500 | - |
| Fund Balance - End of Year | \$ - | \$ - | \$ 156,100 | \$ 156,100 |

The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Department of Social Services
Year Ended December 31, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 5,761,257 | \$ 5,780,347 | \$ 5,780,347 | \$ - |
| Intergovernmental | | | | |
| Child care | 215,649 | 215,649 | 216,304 | 655 |
| Community options/waivers | 564,513 | 564,513 | 531,610 | (32,903) |
| General relief | 8,060 | 8,060 | 2,048 | (6,012) |
| Income maintenance | 2,686,257 | 2,686,257 | 2,961,704 | 275,447 |
| Kinship | 167,309 | 167,309 | 184,434 | 17,125 |
| Low income home energy assistance | 90,189 | 90,189 | 133,641 | 43,452 |
| Social welfare - basic county allocation | 3,343,604 | 3,446,610 | 3,519,994 | 73,384 |
| Youth aids | 524,280 | 524,280 | 184,249 | (340,031) |
| Administration | 53,186 | 53,186 | 218,433 | 165,247 |
| Public charges for services | | | | |
| Child care | 38,000 | 38,000 | 37,550 | (450) |
| Community options/waivers | 12,500 | 12,500 | 11,570 | (930) |
| Income maintenance | 3,500 | 3,500 | 4,755 | 1,255 |
| Social welfare - basic county allocation | 1,070,300 | 1,070,300 | 1,056,175 | (14,125) |
| Youth aids | 229,000 | 229,000 | 220,761 | (8,239) |
| Interdepartmental charges for services | | | | |
| Social welfare - basic county allocation | 406,000 | 406,000 | 141,121 | (264,879) |
| Youth aids | 29,349 | 29,349 | 29,360 | 11 |
| Miscellaneous | 50,642 | 52,142 | 254,471 | 202,329 |
| Total Revenues | 15,253,595 | 15,377,191 | 15,488,527 | 111,336 |
| Expenditures | | | | |
| Current | | | | |
| Health and human services | | | | |
| Adult abuse | 36,742 | 36,742 | 37,553 | (811) |
| Child care | 253,629 | 253,629 | 256,786 | (3,157) |
| Community options/waivers | 577,513 | 577,513 | 543,768 | 33,745 |
| General relief | 24,750 | 24,750 | 11,296 | 13,454 |
| Income maintenance | 3,526,310 | 3,529,555 | 3,817,260 | (287,705) |
| Kinship | 167,309 | 167,309 | 184,447 | (17,138) |
| Low income home energy assistance | 90,189 | 90,189 | 133,642 | (43,453) |
| Social welfare - basic county allocation | 8,337,787 | 8,504,138 | 8,088,344 | 415,794 |
| Youth aids | 2,165,965 | 2,165,965 | 1,740,875 | 425,090 |
| Administration | 73,401 | 76,401 | 311,207 | (234,806) |
| Total Expenditures | 15,253,595 | 15,426,191 | 15,125,178 | 301,013 |
| Excess (Deficit) of Revenues Over Expenditures | - | (49,000) | 363,349 | 412,349 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (312,349) | (312,349) |
| Net Change in Fund Balance | - | (49,000) | 51,000 | 100,000 |
| Fund Balance - Beginning of Year | - | 49,000 | 49,000 | - |
| Fund Balance - End of Year | \$ - | \$ - | \$ 100,000 | \$ 100,000 |

The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY, WISCONSIN

Statement of Net Assets

Proprietary Funds

December 31, 2008

| | Business-type Activities-Enterprise Funds | | | | | | | Governmental Activities-Internal Service Funds |
|---|---|------------------------------|--------------------|----------------------|-----------------|--------------|---------------------------------|--|
| | Highway | Care Management Organization | Health Care Center | Nursing/Rehab Center | Rolling Meadows | Airport | Other Nonmajor Enterprise Funds | Total Enterprise Funds |
| ASSETS | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash and investments | \$ 154 | \$ 8,858,284 | \$ 742,751 | \$ - | \$ - | \$ - | \$ 4,080 | \$ 9,605,269 |
| Taxes receivable | - | - | 1,326,857 | 74,594 | 25,897 | 583 | 16 | 1,484,348 |
| Accounts receivable | 22,131 | 2,716,189 | 420,424 | 160,332 | - | - | - | 3,319,675 |
| Due from other governments | 1,451,958 | - | - | - | - | - | - | 1,451,958 |
| Inventories and prepaid items | 1,049,456 | 286,747 | 113,515 | 14,627 | 1,079 | - | 41,780 | 1,507,204 |
| Total Current Assets | 2,523,699 | 11,861,220 | 2,603,547 | 249,553 | 27,559 | 82,876 | 17,348,454 | 299,887 |
| Capital Assets | | | | | | | | |
| Land/land improvements | 402,534 | - | 716,905 | 105,293 | 10,943,545 | - | 3,222,528 | 15,390,805 |
| Buildings/building improvements | 2,559,377 | 9,210 | 6,401,935 | 2,842,596 | 71,494 | - | 284,567 | 12,169,179 |
| Machinery and equipment | 10,290,561 | 265,684 | 1,621,557 | 396,985 | 325,236 | - | 846,789 | 13,746,812 |
| Less accumulated depreciation | (7,977,931) | (114,083) | (6,369,077) | (2,595,684) | (5,330,323) | - | (2,005,491) | (24,392,589) |
| Total Capital Assets - Net | 5,274,541 | 160,811 | 2,371,320 | 749,190 | 6,009,952 | - | 2,348,393 | 16,914,207 |
| TOTAL ASSETS | 7,798,240 | 12,022,031 | 4,974,867 | 998,743 | 6,037,511 | 2,431,269 | 34,262,661 | 345,168 |
| LIABILITIES | | | | | | | | |
| Current Liabilities | | | | | | | | |
| Accounts payable | 193,113 | 2,847,519 | 157,251 | 13,813 | 3,001 | - | 5,721 | 3,220,418 |
| Accrued payroll liabilities | 380,570 | 311,843 | 404,503 | 74,317 | 1,618 | - | 17,998 | 1,190,849 |
| Due to other funds | 240,910 | 4,065 | - | 182,382 | 31,958 | - | 951,169 | 1,410,484 |
| Due to other governments | 17,403 | 40 | 597 | - | - | - | 3,887 | 21,927 |
| Unearned revenues | 135,702 | - | 1,363,885 | 77,733 | 42,997 | - | 41,293 | 1,661,610 |
| Current maturities of long-term obligations | 71,250 | 9,579 | 71,557 | 15,660 | - | - | 21,451 | 189,497 |
| Other liabilities | - | - | - | - | 50,000 | - | - | 50,000 |
| Total Current Liabilities | 1,038,948 | 3,173,046 | 1,997,793 | 363,905 | 129,574 | 1,041,519 | 7,744,785 | 259,620 |
| Long-term Obligations | | | | | | | | |
| Noncurrent portion of long-term obligations | 199,589 | 47,271 | 130,105 | 43,595 | 893 | - | 17,897 | 439,350 |
| TOTAL LIABILITIES | 1,238,537 | 3,220,317 | 2,127,898 | 407,500 | 130,467 | 1,059,416 | 8,184,135 | 278,856 |
| NET ASSETS | | | | | | | | |
| Invested in capital assets, net of related debt | 5,274,541 | 160,811 | 2,360,618 | 740,737 | 6,009,952 | - | 2,315,599 | 16,862,258 |
| Restricted | - | 8,640,903 | - | - | - | - | - | 8,640,903 |
| Unrestricted (deficit) | 1,285,162 | - | 486,351 | (149,494) | (102,908) | - | (943,746) | 575,365 |
| TOTAL NET ASSETS | \$ 6,559,703 | \$ 8,801,714 | \$ 2,846,969 | \$ 591,243 | \$ 5,907,044 | \$ 1,371,853 | \$ 26,078,526 | \$ 66,312 |

The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2008

| | Business-type Activities-Enterprise Funds | | | | | | Governmental Activities- | |
|---|---|------------------------------|---------------------|--------------------------------------|---------------------|---------------------------------|--------------------------|------------------------|
| | Highway | Care Management Organization | Health Care Center | Rolling Meadows Nursing/Rehab Center | Airport | Other Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| Operating Revenues | | | | | | | | |
| Public charges for services | \$ - | \$ 31,028,913 | \$ 4,146,532 | \$ 1,324,758 | \$ 78,629 | \$ 654,530 | \$ 37,233,362 | \$ - |
| Intergovernmental charges for services | 5,017,264 | - | - | - | 800 | - | 5,018,064 | - |
| Interdepartmental charges for services | 5,812,277 | 2,037 | 1,498,057 | - | - | 9,253 | 7,321,624 | 330,916 |
| Miscellaneous | 48,363 | 187,283 | 14,403 | 26,294 | 8,360 | 1,986 | 286,689 | - |
| Total Operating Revenues | 10,877,904 | 31,218,233 | 5,658,992 | 1,351,052 | 87,789 | 665,769 | 49,859,739 | 330,916 |
| Operating Expenses | | | | | | | | |
| General government | - | - | - | - | - | - | - | 523,364 |
| Public works | 10,342,379 | - | - | - | 136,820 | 35,147 | 10,514,346 | - |
| Health and human services | - | 31,508,378 | 7,814,231 | 1,728,731 | - | - | 41,051,340 | - |
| Culture, recreation and education | - | - | - | - | - | 638,197 | 638,197 | - |
| Depreciation | 825,442 | 41,129 | 249,543 | 101,576 | 535,326 | 115,289 | 1,868,305 | 14,509 |
| Total Operating Expenses | 11,167,821 | 31,549,507 | 8,063,774 | 1,830,307 | 672,146 | 788,633 | 54,072,188 | 537,873 |
| Operating Income (Loss) | (289,917) | (331,274) | (2,404,782) | (479,255) | (584,357) | (122,864) | (4,212,449) | (206,957) |
| Nonoperating Revenues (Expenses) | | | | | | | | |
| Property taxes | 250,320 | - | 1,576,857 | 224,594 | 80,369 | 29,440 | 2,161,580 | 265,998 |
| Intergovernmental | 120,711 | 88,035 | 1,125,161 | 391,958 | - | 2,223 | 1,728,088 | - |
| Investment income | - | 267,140 | - | - | - | 86 | 267,226 | - |
| Miscellaneous revenue | 260,593 | 30,388 | - | - | - | - | 290,981 | - |
| Payment in lieu of taxes | - | - | - | - | - | (51,500) | (51,500) | - |
| Interest expense | (16,927) | - | (18,807) | (18,304) | - | (25,753) | (79,791) | - |
| Loss on sale of capital assets | - | (233) | - | (17,926) | - | - | (18,159) | - |
| Total nonoperating revenue (expense) | 614,697 | 385,330 | 2,683,211 | 580,322 | 80,369 | (45,504) | 4,298,425 | 265,998 |
| Income (loss) before contributions and transfers | 324,780 | 54,056 | 278,429 | 101,067 | (503,988) | (168,368) | 85,976 | 59,041 |
| Capital contributions - state/federal | - | - | - | - | 61,178 | - | 61,178 | - |
| Transfers in | 16,927 | - | 18,807 | 18,304 | - | - | 54,038 | 134 |
| Transfers out | - | - | - | (223,798) | - | - | (223,798) | (66,282) |
| Change in Net Assets | 341,707 | 54,056 | 297,236 | (104,427) | (442,810) | (168,368) | (22,606) | (7,107) |
| Net Assets - Beginning of Year | 6,217,996 | 8,747,658 | 2,549,733 | 695,670 | 6,349,854 | 1,540,221 | 26,101,132 | 73,419 |
| Net Assets - End of Year | \$ 6,559,703 | \$ 8,801,714 | \$ 2,846,969 | \$ 591,243 | \$ 5,907,044 | \$ 1,371,853 | \$ 26,078,526 | \$ 66,312 |

The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY, WISCONSIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2008

| | Business-type Activities-Enterprise Funds | | | | | | Governmental Activities- | |
|---|---|------------------------------|--------------------|--------------------------------------|-----------|---------------------------------|--------------------------|------------------------|
| | Highway | Care Management Organization | Health Care Center | Rolling Meadows Nursing/Rehab Center | Airport | Other Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| Cash Flows from Operating Activities: | | | | | | | | |
| Cash received from user charges | \$ 4,152,138 | \$ 28,834,775 | \$ 4,430,020 | \$ 1,464,376 | \$ 80,271 | \$ 681,583 | \$ 39,643,163 | \$ 330,916 |
| Cash received from other funds | 5,812,277 | 2,037 | 1,498,057 | - | - | - | 7,312,371 | - |
| Cash received from other government payments | - | - | - | - | 800 | - | 800 | - |
| Cash payments to suppliers | (5,398,069) | (27,011,594) | (1,955,693) | (1,102,047) | (28,628) | (169,543) | (35,665,574) | (172,286) |
| Cash payments to employees | (4,886,712) | (4,399,925) | (6,031,600) | (890,555) | (75,592) | (270,681) | (16,555,065) | (349,847) |
| Net Cash Provided (Used) by Operating Activities | (320,366) | (2,574,707) | (2,059,216) | (528,226) | (23,149) | 241,359 | (5,264,305) | (191,217) |
| Cash Flows from Noncapital Financing Activities: | | | | | | | | |
| Property taxes | 250,320 | - | 1,576,857 | 224,594 | 80,369 | 29,440 | 2,161,580 | 265,998 |
| Intergovernmental | 893,248 | 114,868 | 1,342,808 | 315,569 | - | - | 2,666,493 | - |
| Transfers in | 16,927 | - | 18,807 | 18,304 | - | - | 54,038 | 134 |
| Transfers out | - | - | - | - | - | - | - | (66,282) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 1,160,495 | 114,868 | 2,938,472 | 558,467 | 80,369 | 29,440 | 4,882,111 | 199,850 |
| Cash Flows from Capital and Related Financing Activities: | | | | | | | | |
| Acquisition of capital assets | (882,453) | (97,112) | (489,084) | - | (57,220) | (20,797) | (1,546,666) | (1,242) |
| Proceeds from sale of capital assets | 6,705 | - | - | - | - | - | 6,705 | - |
| Principal payments on long-term debt | - | - | (10,394) | (11,937) | - | (175,280) | (197,611) | - |
| Payment in lieu of taxes | - | - | - | - | - | (51,500) | (51,500) | - |
| Interest payments on long-term debt | (16,927) | - | (18,807) | (18,304) | - | (25,753) | (79,791) | - |
| Net Cash Used by Capital and Related Financing Activities | (892,675) | (97,112) | (518,285) | (30,241) | (57,220) | (273,330) | (1,868,863) | (1,242) |
| Cash Flows from Investing Activities: | | | | | | | | |
| Investment income | - | 267,140 | - | - | - | 86 | 267,226 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (52,546) | (2,289,811) | 360,971 | - | - | (2,445) | (1,983,831) | 7,391 |
| Cash and Cash Equivalents - Beginning of Year | 52,700 | 11,148,095 | 381,780 | - | - | 6,525 | 11,589,100 | 65,918 |
| Cash and Cash Equivalents - End of Year | \$ 154 | \$ 8,858,284 | \$ 742,751 | \$ - | \$ - | \$ 4,080 | \$ 9,605,269 | \$ 73,309 |

(Continued)

FOND DU LAC COUNTY, WISCONSIN
Statement of Cash Flows (continued)
Proprietary Funds
Year Ended December 31, 2008

| | Business-type Activities-Enterprise Funds | | | | | | Governmental Activities-Internal Service Funds |
|--------------|---|--------------------|--------------------------------------|--------------|---------------------------------|------------------------|--|
| Highway | Care Management Organization | Health Care Center | Rolling Meadows Nursing/Rehab Center | Airport | Other Nonmajor Enterprise Funds | Total Enterprise Funds | |
| \$ (289,917) | \$ (331,274) | \$ (2,404,782) | \$ (479,255) | \$ (584,357) | \$ (122,864) | \$ (4,212,449) | \$ (206,957) |
| 825,442 | 41,129 | 249,543 | 101,576 | 535,326 | 115,289 | 1,868,305 | 14,509 |
| 25,878 | (2,381,421) | 269,085 | 113,324 | 1,642 | 2,615 | (1,968,877) | - |
| (366,443) | - | - | - | - | - | (366,443) | - |
| (69,943) | (145,916) | 4,262 | (4,115) | (51) | 987 | (214,776) | (3,682) |
| (70,469) | 230,962 | 50,246 | 5,253 | 95 | 10 | 216,097 | 1,774 |
| (66,460) | (19,497) | (71,565) | (20,315) | (1,546) | (341) | (179,724) | (5,671) |
| (240,910) | (292) | - | (102,523) | 33,259 | 239,739 | (70,727) | - |
| 13,710 | (336) | (9,851) | - | - | (467) | 3,056 | - |
| (123,824) | - | (207,930) | (149,996) | (8,410) | 1,096 | (489,064) | - |
| - | - | - | - | - | (517) | (517) | - |
| 42,570 | 32,171 | 61,776 | 7,825 | 893 | 5,812 | 151,047 | 8,810 |
| \$ (320,366) | \$ (2,574,474) | \$ (2,059,216) | \$ (528,226) | \$ (23,149) | \$ 241,359 | \$ (5,264,072) | \$ (191,217) |

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities
Operating income (loss)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:
Depreciation
Changes in assets and liabilities
Accounts receivable
Due from other governments
Inventories and prepaid items
Accounts payable
Accrued liabilities
Due to other funds
Due to other governments
Unearned revenues
Interest payable
Other liabilities
Net Cash Provided by (Used for) Operating Activities

The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY
Statement of Net Assets
Agency Funds
December 31, 2008

| | Agency Funds |
|--------------------------------|----------------------------|
| ASSETS | |
| Cash and investments | \$ 7,234,978 |
| Receivables | |
| Delinquent special assessments | 152,021 |
| Accounts | 1,408 |
| Due from other governments | <u>1,037,921</u> |
| TOTAL ASSETS | <u><u>\$ 8,426,328</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 468,726 |
| Due to other governments | 7,244,917 |
| Other liabilities | <u>712,685</u> |
| TOTAL LIABILITIES | <u><u>\$ 8,426,328</u></u> |

The notes to the basic financial statements are an integral part of this statement.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Fond du Lac County ("the County"), Fond du Lac, Wisconsin, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the County are described below:

1. Reporting Entity

The County is a municipal corporation governed by an elected 18 member board. In accordance with GAAP, the basic financial statements are required to include the County (the primary government) and any separate component units. The basic criterion for including a legally separate organization as a component unit is the degree of financial accountability the County has with the organization. The following circumstances set forth the County's financial accountability for a legally separate organization:

- a. The County is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.
- b. The County may be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Based on the previous criterion, the following component unit is included within the reporting entity.

Housing Authority of Fond du Lac County

The basic financial statements include the Housing Authority of Fond du Lac County (Housing Authority) as a component unit. The Housing Authority is a legally separate organization. The board of the Housing Authority is appointed by the County Executive. Wisconsin Statutes provide for circumstances whereby the County can impose its will on the Housing Authority, and also create a potential financial benefit to, or burden on, the County. As a component unit, the Housing Authority's financial statements have been presented as a discrete column in the basic financial statements. It is reported in a separate column to emphasize that it is legally separate from the County. The Housing Authority is a separate entity established to administer the housing program for low and moderate income families. It is funded by federal and state grants and rental income. The information presented is for the fiscal year ended June 30, 2008. Separately issued financial statements of the Housing Authority may be obtained from the Housing Authority's office at 15 North Marr Street, Fond du Lac, WI.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are supported primarily by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, permanent, debt service and capital projects funds. Proprietary funds include enterprise funds and internal service funds. The County has two internal service funds: Central Maintenance and Health Self-Insurance. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

GENERAL FUND

This is the County's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

COUNTY ROAD & BRIDGE FUND

This fund accounts for financial resources used for the maintenance and construction of County road and bridge system.

DEPT OF COMMUNITY PROGRAMS FUND

This fund accounts for financial resources used to provide State mandated services to clients with mental health, alcohol and other drug abuse, developmental disability and closely-related conditions.

DEPT OF SOCIAL SERVICES FUND

This fund accounts for financial resources used to provide services to clients in the areas of income maintenance, counseling and other human services.

CAPITAL PROJECT FUND

This fund accounts for financial resources used for the acquisition, construction and remodeling of major capital facilities other than those financed by proprietary funds and trust funds.

DEBT SERVICE FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The County reports the following major enterprise funds:

HIGHWAY

This fund accounts for the activities associated with the maintenance and construction of roadways and bridges located within the County.

CARE MANAGEMENT ORGANIZATION

This fund accounts for the activities associated with the family care program serving disabled and elderly clients within a managed care system.

HEALTH CARE CENTER

This fund accounts for the activities associated with the skilled nursing facility serving disabled clients.

FOND DU LAC COUNTY, WISCONSIN
Notes to Basic Financial Statements
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ROLLING MEADOWS NURSING/REHAB CENTER

This fund accounts for the activities associated with the skilled nursing facility serving elderly clients, including a Medicare certified therapy program.

AIRPORT

This fund accounts for the activities associated with the County's airport facilities.

Additionally, the government reports the following fund types:

Internal service funds account for central maintenance and health self-insurance services provided to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

The *permanent fund* is used to account for resources legally held in trust for the Sheriff Canine Program. Only earnings on the invested resources may be used to support the Sheriff Canine Program.

The County accounts for assets held as an agent for Patient Trust Activity, District Attorney Restitution Activities, Huber Law/Canteen Activities, Clerk of Courts Fund, and Tax Collection Activities in an *agency fund*.

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

Certain private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following certain subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges to the County's enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as they are needed.

4. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable have been shown net of allowance for uncollectible accounts of \$2,029,958.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are reported as advances and are offset by a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

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f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$500 or higher for general capital assets or \$3,000 for road and bridge infrastructure, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

| | Governmental Activities | Business-Type Activities |
|--------------------------------|----------------------------|-----------------------------|
| | Years | |
| <u>Assets</u> | | |
| Land improvements | 25-100 | 25-100 |
| Building/building improvements | 25-50 | 25-50 |
| Machinery and equipment | 3-10 | 3-10 |
| Infrastructure | 10-50 | - |

g. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

h. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet recognizable.

i. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Amount of net assets that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During October, County management submits to the County Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by County Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund, special revenue funds, debt service fund, capital project fund, internal service funds and enterprise funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund, special revenue funds, debt service fund, internal service funds and enterprise funds. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the County. Amendments to the budget during the year require initial approval by management and the committee of jurisdiction and are subsequently authorized by the County Board. Minor budgetary transfers within an activity or department, defined as \$1,500 or ten percent of the activity or department's aggregate approved budget, whichever is less, may be authorized by action of the Finance, Taxation, and Personnel Committee of the County Board, without going to the full County Board for approval.
- e. Encumbrance accounting is used by the County to record commitments related to unperformed contracts for goods or services.

The County did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2008.

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the general, major special revenue and debt service funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2008 as follows:

| Fund | Function | Excess Expenditures |
|--------------|------------------------------------|---------------------|
| General Fund | Commissions and Committees | \$ 295 |
| General Fund | Clerk of Courts | 69,570 |
| General Fund | Probate Office | 6,756 |
| General Fund | District Attorney | 78,236 |
| General Fund | Victim/Witness Program | 1,291 |
| General Fund | County Executive | 3,025 |
| General Fund | County Clerk | 7,705 |
| General Fund | Miscellaneous Nondept Expenditures | 49,246 |
| General Fund | Jail | 119,620 |
| General Fund | Jail Building Maintenance | 131,990 |
| General Fund | Home Health | 74,685 |
| General Fund | Tobacco Control | 3,311 |
| General Fund | Natural Beauty Council | 193 |
| General Fund | CDBG-Revolving Loan Fund | 1,637,535 |
| General Fund | Environmental Services | 25,555 |

The above excess expenditures were funded using favorable revenue variances and available fund balance in the general, special revenue and debt service funds.

NOTE C - DETAILED NOTES ON ALL FUNDS**1. Cash and Investments****PRIMARY GOVERNMENT**

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

FOND DU LAC COUNTY, WISCONSIN
Notes to Basic Financial Statements
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Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the County's cash and investments totaled \$31,008,671 on December 31, 2008 as summarized below:

| | |
|--|----------------------|
| Cash on hand | \$ 3,994 |
| Deposits with financial institutions | 18,888,640 |
| Investment | |
| Wisconsin local government investment pool | 12,092,032 |
| | <u>\$ 30,984,666</u> |

Reconciliation to the basic financial statements:

| | |
|---------------------------------|----------------------|
| Basic financial statements | |
| Cash and investments | \$ 23,749,688 |
| Restricted cash and investments | - |
| Fiduciary funds | |
| Agency funds | 7,234,978 |
| | <u>\$ 30,984,666</u> |

Deposits and investments of the County are subject to various risks. Presented below is a discussion of the County's deposits and investments and the related risks.

Deposits with Financial Institutions

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian through December 31, 2013. In addition, the County's non-interest bearing transaction accounts are fully insured under the Temporary Liquidity Guarantee Program through December 31, 2009. On January 1, 2014 the coverage limit for all accounts will return to \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member through December 31, 2013. On January 1, 2014, the coverage limit will return to \$100,000 for each member. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2008, none of the County's deposits with financial institutions is in excess of federal and state depository insurance limits and uncollateralized.

Custodial credit for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County's policy is to have their operating bank collateralize their average balance on deposit.

Investments

The County has investments in the Wisconsin local government investment pool of \$12,092,032 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw

FOND DU LAC COUNTY, WISCONSIN
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their funds in total on one day's notice. At December 31, 2008, the fair value of the County's share of the LGIP's assets was substantially equal to the carrying value.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The County does not have an additional credit risk policy. The County's investment in the Wisconsin local government investment pool is not rated. Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc., which is in effect through February 15, 2009. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance, and income on the investment during the calendar quarter a loss occurs.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The County does not have an interest rate risk policy. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

DISCRETELY PRESENTED COMPONENT UNIT

At year end, the carrying amount of the Housing Authority, a discretely presented component unit, was \$759,327 and the bank balance was \$774,488. All of the bank balance was covered by FDIC insurance.

2. Property Tax Apportionments

Property taxes are apportioned annually in November to local taxing units within the County for financing state charges and the subsequent year's operations of the County. Since the November apportionment is not due from local taxing districts until February of the subsequent year, the County's apportionment is recorded as deferred revenue at year-end. Property tax payments from individual property owners are due in two installments by January 31 and July 31. During the month of February, each local taxing district settles with the County for both collected and unpaid property taxes. At the February settlement, the County becomes responsible for the collection of unpaid property taxes, including unpaid property taxes returned by local taxing districts for financing their individual operations. Property taxes subsequently not paid by property owners by September 1 of the same year are considered delinquent. The delinquent taxes are then acquired by the County's general fund in accordance with state statutes in order to provide the County with a statutory lien.

Property taxes recorded on December 31, 2008 for collection in 2009 are for the following:

| | |
|----------------------|--------------------------|
| State apportionment | \$ 1,174,241 |
| County apportionment | 34,410,290 |
| | <hr/> \$35,584,531 <hr/> |

The above County apportionment of \$34,410,290 is for financing 2009 operations and will be transferred in 2009 from deferred revenue to current revenues of the County's governmental and proprietary funds.

3. Delinquent Property Taxes - General Fund

Delinquent property taxes of the general fund represent unpaid property taxes on real estate, including state and local government equities therein. Under state statutes, the County annually reimburses the state and local governments for their equities in property taxes not collected from the property owner. Unless redeemed by the property owner, the County will eventually obtain tax deed ownership of the properties comprising delinquent taxes. In the past, the County has generally been able to recover its investment in delinquent taxes by sale of the tax deeded properties.

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Notes to Basic Financial Statements

December 31, 2008

On December 31, 2008, the County's general fund showed an investment of \$1,827,079 in delinquent taxes as follows:

| | |
|------------------|--------------------|
| Tax certificates | \$1,821,751 |
| Tax deeds | 5,328 |
| Total | <u>\$1,827,079</u> |

An aging of the total delinquent taxes of \$1,827,079 on December 31, 2008 follows:

| <u>Year Acquired</u> | <u>Total</u> | <u>Tax Certificates</u> | <u>Tax Deeds</u> |
|----------------------|--------------------|-----------------------------|----------------------|
| Prior to 2003 | \$ 17,580 | \$ 17,554 | \$ 26 |
| 2003 | 4,143 | 4,143 | - |
| 2004 | 51,226 | 51,226 | - |
| 2005 | 67,375 | 67,375 | - |
| 2006 | 146,414 | 146,414 | - |
| 2007 | 388,334 | 387,388 | 946 |
| 2008 | 1,152,007 | 1,147,651 | 4,356 |
| | <u>\$1,827,079</u> | <u>\$1,821,751</u> | <u>\$ 5,328</u> |

Of the total of \$1,827,079 for delinquent taxes, \$300,423 was collected by the County within 60 days after December 31, 2008. The remaining unpaid balance of \$1,149,944 is recorded as reserved fund balance for the general fund and \$376,712 is recorded as a deferred property tax liability on the general fund balance sheet.

4. Receivables

Receivables as of year end for the County's individual major governmental funds, aggregate nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Dept of Community Programs</u> | <u>Dept of Social Services</u> | <u>Nonmajor and Other Funds</u> | <u>Total</u> |
|------------------------------------|---------------------|---|--|---|---------------------|
| Receivables: | | | | | |
| Interest | \$ 95,258 | \$ - | \$ - | \$ 2,086 | \$ 97,344 |
| CDBG loans | 1,611,376 | - | - | - | 1,611,376 |
| Accounts | 1,379,490 | 2,233,807 | 20,546 | 3,095 | 3,636,938 |
| Due from other governments | 1,348,450 | 363,076 | 744,679 | - | 2,456,205 |
| Gross receivables | 4,434,574 | 2,596,883 | 765,225 | 5,181 | 7,801,863 |
| Less: allowance for uncollectibles | - | 2,029,958 | - | - | 2,029,958 |
| Net total receivables | <u>\$ 4,434,574</u> | <u>\$ 566,925</u> | <u>\$ 765,225</u> | <u>\$ 5,181</u> | <u>\$ 5,771,905</u> |

There is no allowance for uncollectibles in any proprietary fund type receivable.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

5. Capital Assets

Capital asset activity of the County for the year ended December 31, 2008 was as follows:

PRIMARY GOVERNMENT

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|--------------|---------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,793,715 | \$ 869,153 | \$ - | \$ 2,662,868 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 4,717,950 | 802,687 | 370 | 5,520,267 |
| Buildings/building improvements | 52,652,110 | 501,931 | 25,413 | 53,128,628 |
| Machinery and equipment | 13,624,958 | 3,017,416 | 1,104,560 | 15,537,814 |
| Infrastructure | 56,353,798 | 1,228,939 | 239,946 | 57,342,791 |
| Subtotals | 127,348,816 | 5,550,973 | 1,370,289 | 131,529,500 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 2,730,087 | 170,749 | 23,388 | 2,877,448 |
| Buildings/building improvements | 16,969,054 | 1,487,328 | 72,417 | 18,383,965 |
| Machinery and equipment | 10,244,841 | 1,961,484 | 1,062,520 | 11,143,805 |
| Infrastructure | 26,337,268 | 1,709,023 | 153,599 | 27,892,692 |
| Subtotals | 56,281,250 | 5,328,584 | 1,311,924 | 60,297,910 |
| Total capital assets, being depreciated, net | 71,067,566 | 222,389 | 58,365 | 71,231,590 |
| Governmental activities capital assets, net | \$ 72,861,281 | \$ 1,091,542 | \$ 58,365 | 73,894,458 |
| Less related long-term debt outstanding | | | | 32,574,180 |
| Invested in capital assets, net of related debt | | | | <u>\$41,320,319</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 980,404 | \$ - | \$ - | \$ 980,404 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 14,286,024 | 124,377 | - | 14,410,401 |
| Buildings/building improvements | 11,710,898 | 458,281 | - | 12,169,179 |
| Machinery and equipment | 13,524,915 | 1,210,482 | 988,585 | 13,746,812 |
| Subtotals | 39,521,837 | 1,793,140 | 988,585 | 40,326,392 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 6,102,178 | 630,589 | 7,509 | 6,725,258 |
| Buildings/building improvements | 8,816,702 | 312,682 | - | 9,129,384 |
| Machinery and equipment | 8,618,572 | 925,034 | 1,005,659 | 8,537,947 |
| Subtotals | 23,537,452 | 1,868,305 | 1,013,168 | 24,392,589 |
| Total capital assets, being depreciated, net | 15,984,385 | (75,165) | (24,583) | 15,933,803 |
| Business-type activities capital assets, net | \$16,964,789 | \$ (75,165) | \$ (24,583) | \$16,914,207 |
| Less related long-term debt outstanding | | | | 51,949 |
| Invested in capital assets, net of related debt | | | | <u>\$16,862,258</u> |

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

Depreciation expense was charged to functions of the County as follows:

PRIMARY GOVERNMENT

| | |
|--|--------------------|
| Governmental activities | |
| General government | \$ 619,132 |
| Public safety | 1,885,241 |
| Public works | 1,709,023 |
| Health and human services | 257,910 |
| Culture, recreation and education | 814,134 |
| Conservation and development | 43,144 |
| Total depreciation expense - governmental activities | <u>\$5,328,584</u> |

| | |
|---|--------------------|
| Business-type activities | |
| Highway | \$ 825,442 |
| Care Management Organization | 41,129 |
| Health Care Center | 249,543 |
| Rolling Meadows Nursing/Rehab Center | 101,576 |
| Airport | 535,326 |
| Rolling Meadows Golf Course | 98,957 |
| Landfill | 16,332 |
| Total depreciation expense - business-type activities | <u>\$1,868,305</u> |

Capital asset activity of the Housing Authority for the year ended June 30, 2008 was as follows:

DISCRETELY PRESENTED COMPONENT UNIT

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|------------------|------------------|--------------------|
| Fond du Lac County Housing Authority: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,387 | \$ - | \$ - | \$ 17,387 |
| Construction in progress | 14,690 | - | 14,690 | - |
| Subtotals | <u>32,077</u> | - | 14,690 | <u>17,387</u> |
| Capital assets, being depreciated: | | | | |
| Leasehold improvements | 28,240 | 58,528 | - | 86,768 |
| Buildings/building improvements | 2,202,868 | 78,024 | 4,925 | 2,275,967 |
| Machinery, equipment, furnishings | 90,009 | 11,148 | 3,340 | 97,817 |
| Subtotals | <u>2,321,117</u> | <u>147,700</u> | <u>8,265</u> | <u>2,460,552</u> |
| Less accumulated depreciation | <u>1,223,134</u> | <u>90,521</u> | <u>2,040</u> | <u>1,311,615</u> |
| Total capital assets being depreciated, net | <u>1,097,983</u> | <u>57,179</u> | <u>6,225</u> | <u>1,148,937</u> |
| Total capital assets, net | <u>\$1,130,060</u> | <u>\$ 57,179</u> | <u>\$ 20,915</u> | <u>\$1,166,324</u> |

Depreciation expense was charged to functions of the Housing Authority as follows:

DISCRETELY PRESENTED COMPONENT UNIT

| | |
|---|------------------|
| Low Rent Public Housing | \$ 83,022 |
| Voucher Program | 2,421 |
| Capital Fund Program | 5,078 |
| Total depreciation expense- Housing Authority | <u>\$ 90,521</u> |

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

6. Interfund Receivable, Payables, and Transfers

The composition of interfund balances as of December 31, 2008 is as follows:

| Due to/from other funds: | | Amount |
|---|--------------------------------------|--------------------|
| Receivable Fund | Payable Fund | |
| Operating Accounts between Funds: | | |
| Dept. of Social Services | Care Management Organization | \$ 4,065 |
| Temporary Cash Advances to Finance Operating Cash Deficits: | | |
| General Fund | Highway | 240,910 |
| | Rolling Meadows Nursing/Rehab Center | 182,382 |
| | Rolling Meadows Golf Course | 872,001 |
| | Airport | 31,958 |
| | Landfill | 79,168 |
| Total | | <u>\$1,410,484</u> |

Interfund transfers for the year ended December 31, 2008 were as follows:

| | Transfer to Fund | Transfer from Fund |
|--------------------------------------|---------------------|---------------------|
| Transfers between Funds | | |
| General Fund | \$ 2,561,058 | \$ 235,134 |
| Special Revenue Funds | | |
| Dept. of Community Programs | - | 1,798,369 |
| Dept. of Social Services | - | 312,349 |
| Debt Service Funds | | |
| G.O. Building Bonds (1999) | - | 259 |
| G.O. Refunding Bonds (2001) | 75,000 | - |
| G.O. Taxable Refunding Bonds (2002) | - | 54,039 |
| Internal Service Funds | | |
| Health Self Insurance | 134 | - |
| Central Maintenance | - | 66,282 |
| Enterprise Funds | | |
| Highway | 16,927 | - |
| Health Care Center | 18,807 | - |
| Rolling Meadows Nursing/Rehab Center | 18,304 | - |
| Airport | - | 223,798 |
| Totals | <u>\$ 2,690,230</u> | <u>\$ 2,690,230</u> |

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

7. Deferred Revenues

Governmental activities and governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue were as follows:

| | Unavailable | Unearned |
|---|---------------------|---------------------|
| Subsequent year tax levy receivable: | | |
| General | \$ - | \$14,728,114 |
| County Road & Bridge | - | 3,007,535 |
| Dept of Community Programs | - | 3,911,323 |
| Dept of Social Services | - | 6,345,900 |
| Debt Service | - | 4,743,115 |
| Central Maintenance – Internal Service Fund | - | 209,955 |
| Delinquent property taxes receivable – General Fund | - | 376,712 |
| CDBG loans thru FCEDC | 1,611,376 | - |
| Grant and other receivables | 608,529 | 192,382 |
| Totals | <u>\$ 2,219,905</u> | <u>\$33,515,036</u> |

8. Long-term Obligations

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2008:

| | Outstanding 1/1/08 | Issued | Retired | Outstanding 12/31/08 | Due Within One Year |
|---|-----------------------|----------------------|---------------------|-------------------------|------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| General Obligation Debt | | | | | |
| Bonds | \$ 24,045,000 | \$ - | \$ 8,285,000 | \$ 15,760,000 | \$ 915,000 |
| Notes | 7,595,000 | 10,580,000 | 1,250,000 | 16,925,000 | 2,420,000 |
| Total General Obligation Debt | 31,640,000 | 10,580,000 | 9,535,000 | 32,685,000 | 3,335,000 |
| Alliant Energy Advance | 681,128 | - | 217,809 | 463,319 | 224,156 |
| Compensated absences | 1,172,413 | 167,888 | 69,090 | 1,271,211 | 482,160 |
| Unfunded other post employment benefits | - | 454,557 | - | 454,557 | - |
| Governmental activities | | | | | |
| Long-term liabilities | <u>\$ 33,493,541</u> | <u>\$ 11,202,445</u> | <u>\$ 9,821,899</u> | <u>\$ 34,874,087</u> | <u>\$ 4,041,316</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| General Obligation Debt | | | | | |
| Bonds | \$ 155,000 | \$ - | \$ 155,000 | \$ - | \$ - |
| Alliant Energy Advance | 41,487 | - | 22,332 | 19,155 | 19,155 |
| Capital Lease | 53,073 | - | 20,279 | 32,794 | 21,452 |
| Compensated absences | 428,073 | 36,407 | 61,724 | 402,756 | 148,890 |
| Unfunded other post employment benefits | - | - | 174,142 | 174,142 | - |
| Business-type activities | | | | | |
| Long-term liabilities | <u>\$ 677,633</u> | <u>\$ 36,407</u> | <u>\$ 433,477</u> | <u>\$ 628,847</u> | <u>\$ 189,497</u> |

Total interest paid during the year on long-term debt totaled \$1,232,256.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$22,839 of internal service funds compensated absences are included in the above amounts.

The Housing Authority, a discretely presented component unit, has no long term debt at June 30, 2008.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

| | |
|--|-------------|
| \$3,450,000 issued 3/1/01; \$215,000 to \$350,000 due annually through 2016; interest 4.30% to 4.85% | \$2,330,000 |
| \$6,070,000 issued 12/4/02; \$410,000 to \$605,000 due annually through 2015; interest 3.00% to 5.00% | 3,630,000 |
| \$9,800,000 issued 3/1/05; \$230,000 to \$920,000 due annually through 2025; Interest 3.25% to 4.00% | 9,800,000 |

Notes

| | |
|---|-----------|
| \$3,415,000 issued 4/3/06; \$415,000 to \$645,000 due annually through 2013; interest 4.00% | 2,275,000 |
| \$4,500,000 issued 4/2/07; \$430,000 to \$750,000 due annually through 2014; interest 4.00% | 4,070,000 |
| \$1,500,000 issued 4/15/08; \$1,500,000 due in 2012; interest 5.00% | 1,500,000 |
| \$9,080,000 issued 4/15/08; \$1,205,000 to \$1,695,000 due annually through 2014; interest 3.50% | 9,080,000 |

Total Outstanding General Obligation Debt

\$32,685,000

Annual principal and interest maturities of the outstanding general obligation debt of \$32,685,000 on December 31, 2008 are detailed below:

| Year Ended December 31 | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------|-------------------------|---------------------|--------------------------|-------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 3,335,000 | \$ 1,260,980 | \$ - | \$ - | \$ 3,335,000 | \$ 1,260,980 |
| 2010 | 3,580,000 | 1,101,039 | - | - | 3,580,000 | 1,101,039 |
| 2011 | 3,835,000 | 958,841 | - | - | 3,835,000 | 958,841 |
| 2012 | 5,460,000 | 808,313 | - | - | 5,460,000 | 808,313 |
| 2013 | 4,115,000 | 575,743 | - | - | 4,115,000 | 575,743 |
| 2014-2018 | 6,715,000 | 1,552,274 | - | - | 6,715,000 | 1,552,274 |
| 2019-2023 | 3,845,000 | 758,500 | - | - | 3,845,000 | 758,500 |
| 2024-2025 | 1,800,000 | 72,800 | - | - | 1,800,000 | 72,800 |
| | <u>\$32,685,000</u> | <u>\$ 7,088,490</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$32,685,000</u> | <u>\$ 7,088,490</u> |

For governmental activities, the other long-term liabilities are generally funded by the general fund.

CAPITAL LEASES

The County is obligated for capital leases that were used to finance the acquisition of capital assets. Presented below is a schedule of future minimum lease payments at December 31, 2008:

| Year Ending | Amount |
|--|------------------|
| 2009 | \$ 22,982 |
| 2010 | 11,839 |
| Total minimum lease payments | 34,821 |
| Less: Amount representing interest | 2,027 |
| Present value of future minimum lease payments | <u>\$ 32,794</u> |

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

Legal Margin for New Debt

The County's legal margin for creation of additional general obligation debt on December 31, 2008 was \$320,770,935 as follows:

| | |
|--|-----------------------|
| Equalized valuation of the County | \$7,069,118,700 |
| Statutory limitation percentage | (x) 5% |
| General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes | 353,455,935 |
| Less: Total outstanding general obligation debt applicable to debt limitation | 32,685,000 |
| Legal Margin for New Debt | <u>\$ 320,770,935</u> |

9. Fund Equity/Net AssetsGovernment-wide Statements

Net assets of the governmental activities reported on the government-wide statement of net assets at December 31, 2008 includes the following:

| | |
|---|----------------------|
| Invested in capital assets, net of accumulated depreciation and net of related debt | |
| Land/land improvements | \$ 4,294,759 |
| Buildings/building improvements | 34,744,663 |
| Machinery and equipment | 4,394,009 |
| Infrastructure | 30,461,027 |
| Less: related long-term debt outstanding, net of proceeds on hand of \$574,180 | (32,574,139) |
| Total Invested in Capital Assets, Net of Related Debt | 41,320,319 |
| Restricted | |
| CDBG loans | 1,661,376 |
| Sheriff Canine Fund | 50,000 |
| Debt Service Fund | 12,247 |
| Unrestricted | 11,798,450 |
| Total Governmental Activities Net Assets | <u>\$ 54,842,392</u> |

Net assets of the business-type activities reported on the government-wide statement of net assets at December 31, 2008 includes the following:

| | |
|---|----------------------|
| Invested in capital assets, net of accumulated depreciation and net of related debt | |
| Land/land improvements | \$ 8,665,547 |
| Buildings/building improvements | 3,039,795 |
| Machinery and equipment | 5,208,865 |
| Less: related long-term debt outstanding | (51,949) |
| Total Invested in Capital Assets, Net of Related Debt | 16,862,258 |
| Restricted | |
| Care Management Organization | 8,640,903 |
| Unrestricted | 575,365 |
| Total Business-Type Activities Net Assets | <u>\$ 26,078,526</u> |

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

Fund Statements

In the fund financial statements, portions of governmental fund balances are reserved and not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2008, fund balance was reserved as follows:

| | |
|--|--------------------|
| General Fund | |
| Reserved for inventories and prepaid items | \$ 328,320 |
| Reserved for delinquent property taxes | 1,149,944 |
| Dept of Community Programs | |
| Reserved for inventories and prepaid items | 59,177 |
| Dept of Social Services | |
| Reserved for inventories and prepaid items | 107,310 |
| Nutrition Fund | |
| Reserved for inventories and prepaid items | 1,753 |
| Debt Service | |
| Reserved for retirement of long-term debt | 12,247 |
| Sheriff Canine Fund | |
| Reserved for sheriff canine fund | 50,000 |
| Total | <u>\$1,708,751</u> |

Also in the fund financial statements, portions of governmental fund balances have been designated to represent tentative management plans that are subject to change. At December 31, 2008, fund balance was designated as follows:

| | |
|---|--------------------|
| MAJOR FUNDS | |
| General Fund | |
| Designated for subsequent years expenditure | \$5,701,643 |
| Special Revenue Funds | |
| County Road & Bridge | |
| Designated for subsequent years expenditure | 1,351,739 |
| Dept of Community Programs | |
| Designated for subsequent years expenditure | 96,923 |
| Capital Project Funds | |
| Interoperability Project | |
| Designated for subsequent years expenditure | 574,180 |
| NONMAJOR FUNDS | |
| Special Revenue Fund | |
| Nutrition Program | |
| Designated for subsequent years expenditure | 16,687 |
| Permanent Fund | |
| Sheriff Canine Fund | |
| Designated for subsequent years expenditure | 16,895 |
| Total | <u>\$7,758,067</u> |

FOND DU LAC COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible County employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system. All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.4% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. The County funds the employee share, with a maximum County contribution per pay period or annually, based on level of position and/or employment group. Required employee contributions in excess of this amount are paid by the employee. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for County employees covered by the WRS for the year ended December 31, 2008 was \$40,996,675; the employer's total payroll was \$42,639,408. The total required contribution for the year ended December 31, 2008 was \$4,524,003, which consisted of \$2,133,144, or 5.2% of covered payroll from the employer and \$2,390,859, or 5.8% of covered payroll from employees. \$2,142,765 of the required contribution for employees for the year ended December 31, 2008 was financed by the County. Total contributions for the years ending December 31, 2007 and 2006 were \$4,066,263 and \$3,896,142, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The Housing Authority, a discretely presented component unit, does not provide a retirement plan for its employees.

2. Other Post Employment Benefits

Plan Description – The County provides health care insurance coverage for employees who retire at blended rates. This results in an other post-employment benefit for the retirees, commonly referred to as an implicit rate subsidy. The retired employee contributes 100% of the premium. There are 711 active and 100 retired employees in the plan.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

Annual OPEB Cost and Net OPEB Obligation – The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

| Component | Amount |
|--|-------------------|
| Annual required contribution | \$ 829,699 |
| Interest on net OPEB | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | 829,699 |
| Less: Contributions made | 201,000 |
| Change in net OPEB obligation | 628,699 |
| OPEB obligation – beginning of year | - |
| OPEB obligation – end of year | <u>\$ 628,699</u> |

The annual required contribution for the current year was determined as part of the September 30, 2008 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included a 4.0% discount rate.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized using a level dollar method. The remaining amortization periods at December 31, 2008 is 29 years, and the remaining amount is \$6,807,256.

Trend Information – The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| 12/31/08 | \$ 829,699 | 24.2% | \$ 628,699 |

Funding Status and Funding Progress – As of September 30, 2008, the most recent actuarial valuation date, the County's unfunded actuarial accrued liability (UAAL) was \$7,202,138. The annual payroll for active employees covered by the plan for the 2008 fiscal year was \$40,996,675 for a ratio of the UAAL to covered payroll of 17.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

In the September 30, 2008 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a rate of 4.0% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10.0% for medical, reduced by decrements to an ultimate rate of 4.5% after twenty years. The UAAL is being amortized using a level dollar method. The remaining amortization period at December 31, 2008 was 29 years.

3. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The County completes an annual review of its insurance coverage to ensure adequate coverage.

4. Contingencies

a. The County participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. An audit under OMB Circular A-133 has been conducted but final acceptance is still pending. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

b. From time to time, the County is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

5. Limitations on the County's Tax Levy, Tax Levy Rate and Its Ability to Issue New Debt

Wisconsin Act 25, effective July 27, 2005, imposes a limit on the property tax levies for all of Wisconsin cities, villages, towns and counties for a two-year period. Wisconsin State Budget bill SB40 continues the limit on the property tax levies through 2009. The budget bill limits the increase in the maximum allowable tax levy to the greater of the percentage change in the County's January 1st equalized value as a result of net new construction or 2.0% for the 2009 budget. The actual limit for the County for the 2009 budget was 2.031%. The levy limit is applied to both operations and debt service. However, the Act allows the limit to be increased for debt service authorized prior to July 1, 2005 and in certain other situations.

As part of Wisconsin's State Budget Bill (1993 Act 16), legislation was passed that limits the County's future tax levy rates. Generally, the County is limited to its 1992 tax levy rate based upon current legislation. However, this limitation does not affect debt authorized prior to August 12, 1993 or refunding bonds. The County may exceed the limitation by holding a referendum (according to state statutes) authorizing the County Board to approve a higher rate. The County may also exceed the rate if it increases the services it provides due to a transfer of these services from another governmental unit.

State legislation also imposes restrictions on the County's ability to issue new debt. Generally, referendum approval is required to issue unlimited tax general obligation debt, with the following exceptions:

- refunding debt issues
- 75% approval by the County Board
- a reasonable expectation that the new debt can be accommodated within the existing tax rate
- other exceptions as listed in State Statutes Section 67.045

FOND DU LAC COUNTY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2008

6. Conduit Debt Obligations

From time to time, the County has issued Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, the ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2008, there are two series of Revenue Bonds outstanding. The first, a \$1,000,000 Revenue Bond, Series 1998, was approved by the Fond du Lac County Housing Authority and the Fond du Lac County Board to finance the renovation and rehabilitation of existing facilities of the Fond du Lac Lutheran Home, Inc. The second, a reissuance of \$1,185,000 Health Care Facilities Revenue Bonds, Series 2000, closed in December, 2003, was approved by the Fond du Lac County Board to finance the acquisition and capital improvements of facilities of the ARC of Fond du Lac, a Wisconsin nonprofit corporation. These bonds are a limited obligation of the County payable solely from revenues received by the County pursuant to a note and sale agreement with ARC of Fond du Lac.

7. Subsequent Event

The County Board authorized the borrowing and sale of \$6,885,000 of General Obligation Promissory Notes in April, 2009, for the purpose of paying costs of refunding obligations of the County and of airport terminal project, computer software upgrade and various other projects included in the County's five-year capital improvement plan.